



Responsible Investment: A Matter of Principles

IMAS LunchTime Talk
18 November 2016



What is Stewardship?



Responsible wealth creation

How can a business thrive and sustain growth while enhancing the wealth of its stakeholders and the well-being of the societies in which it operates over the long term?



Ownership & Trusteeship

Those who are entrusted with assets (and responsibilities) have an obligation to hand them over in better shape.

What is Stewardship?

Taking an integrated view

Building connections across spheres and over time



“We do not just inherit the earth from our ancestors, we borrow it from our children.”

STEWARDSHIP is about:

- **Values**, not rules
- **Spirit**, not form
- **Effect**, not box-ticking
- **Impact**, not output
- **Action**, not words
- **Passion**, not profit
- **Building trust**, not image
- **Leadership**, not position

Business is a part of society,
and not apart from society

Take Responsibility

Take Action

Take Care

Take Pride

Aligning interests : an
inclusive approach

Ultimate
Shareholders

CEO &
Team

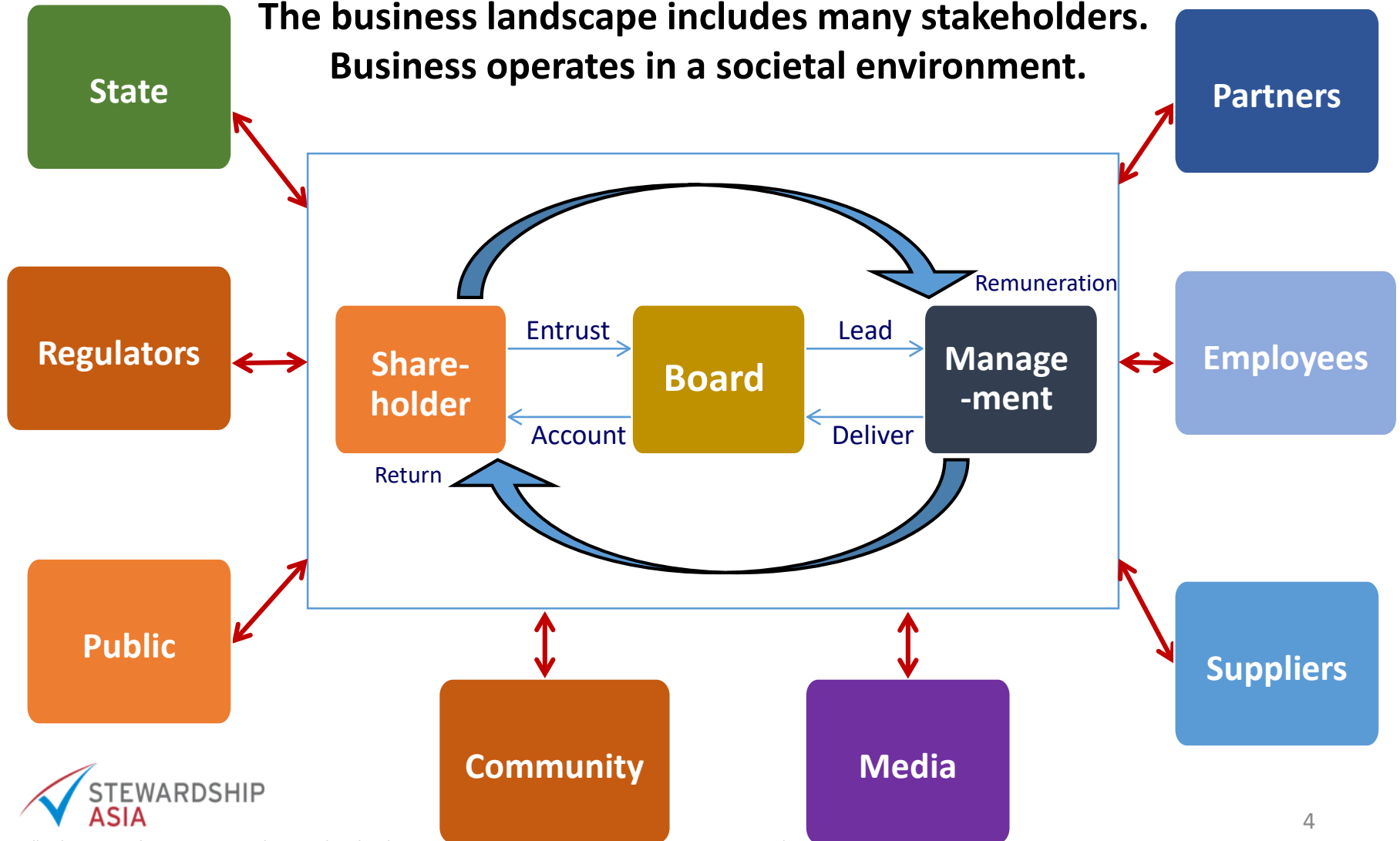
Board

Key

Stakeholders

Why Stewardship Matters?

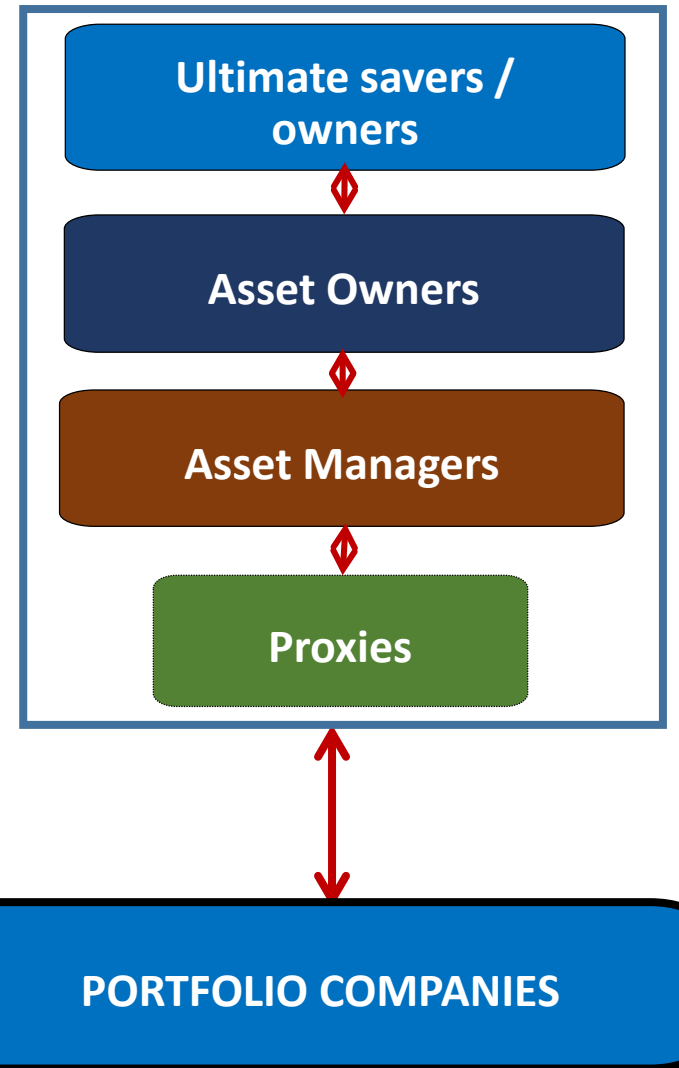
The business landscape includes many stakeholders. Business operates in a societal environment.



Why Stewardship Matters?

The notion of stewardship has never been more relevant to business than it is today.

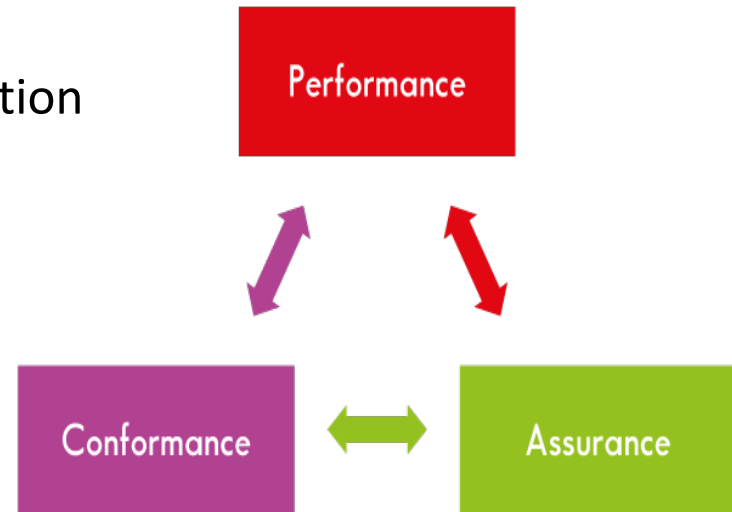
- **Value chain of shareholding has become more complex and indirect**
Shareholders diffused, many layers plus proxies - who constitutes “owners”?
- **Corporate Governance is increasingly compliance-based**
“Box-ticking exercise” that values form over substance
- **Business is not just about profit and maximising only shareholders’ value**



Why Stewardship Matters?

Good Governance is about Conformance and Performance

- **Conformance:** transparency, risk management, assurance, equitable treatment, and board diversity
- **Performance:**
 - Better talent recruitment and retention
 - Increased profitability and revenue
 - Improved operational efficiency
 - Attracting investors more easily
 - Better share price performance
 - Easier access to bank loans
 - Improved market share



Why Stewardship Matters?

Companies that neglect good stewardship practices suffer set-backs in the long term

Example: For companies with unsustainable practices

- major investors do not want to be associated with them
- stakeholders take action against them
- industry in danger of collapse as their resources are degraded

But well-stewarded companies endure

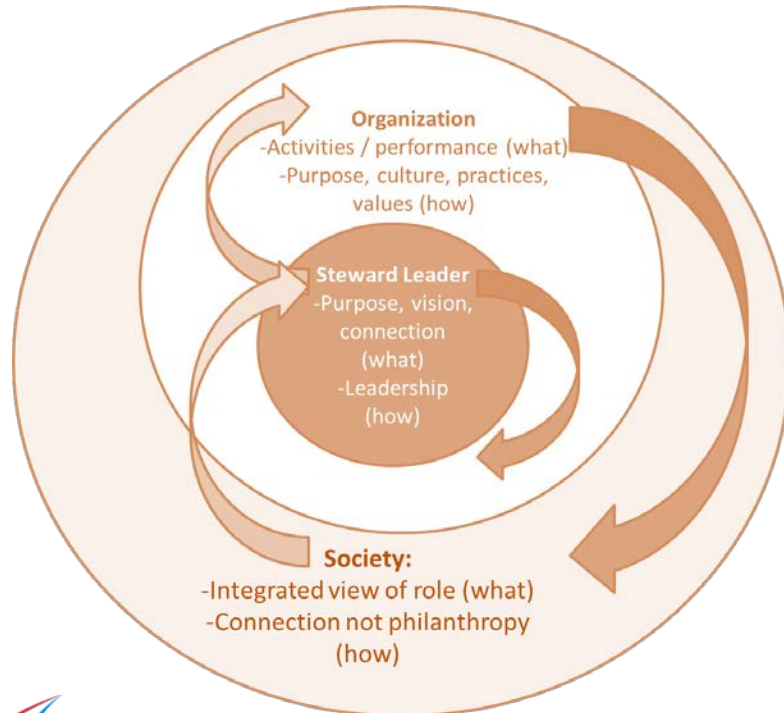
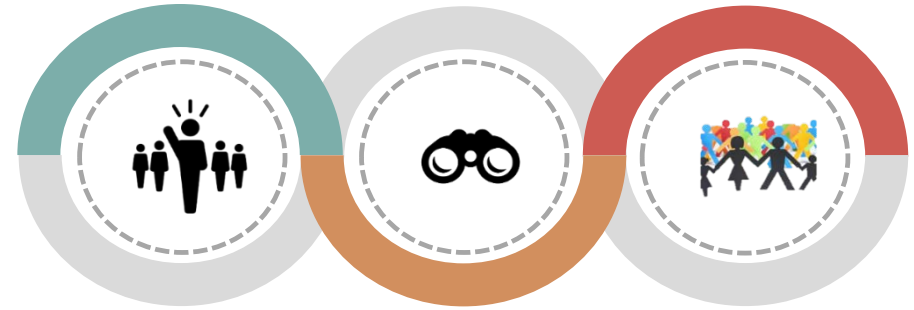
Example: Companies that give back to society

- enjoy the goodwill of society, investors and stakeholders
- prosper with society and the nation
- leave a lasting legacy for the next generation

Stewardship in Action

Steward-leaders:

- Lead with impact
- Safeguard the future
- Deliver benefits to society



Well-stewarded companies:

- Ownership mentality
- Inclusive approach
- Think long term
- Live their values
- Do well, do good

Singapore Stewardship Principles (SSP) for Responsible Investors

The notion of **stewardship** has never been more **relevant** than in **today's business world**, particularly in the face of **short term pressure** on results and regulatory compliance. In the **investment landscape**, there is **revived conversation** on the concepts and practices of stewardship.

Why?

Reinforcing the positive investment environment in Singapore.

Singapore's investment environment is **thriving** and **transparent**, generally recognized as being marked by sound governance practices amongst investors. Nevertheless, in light of certain trends that are developing in the business landscape, there is scope for the investor community to **proactively reinforce the mindset and practice of stewardship**.

Encouraging the development of good stewardship and governance amongst investors in Singapore.

Many countries are seeing a trend towards **fragmented ownership**, especially in listed companies, with many shareholders each holding a small proportion of shares. Coupled with increasingly shorter shareholding tenure, the **ownership mentality** is arguably being eroded and replaced by a prevalent **short-term view** of investment and portfolio management. The **emphasis on stewardship** is therefore **relevant** and **timely**.

Creating an industry-led channel for mutual sharing of stewardship values and promotion of good practices.

Stewardship is important for the **wider business and investment ecosystem**, including investors and investee companies. The Singapore Stewardship Principles (SSP) are intended to enhance this **positive environment** by encouraging companies to pursue the **spirit of good governance** and stewardship over that of form, with the ultimate objective of helping companies secure their performance over the long term.

What?

The SSP was developed by an industry-led Working Group, supported by MAS.

The SSP is not meant to be an enforceable code, but intends to be a set of principles to be voluntarily applied by investors in diverse contexts.

These Stewardship Principles aim, by articulating the core behaviour and actions associated with investor stewardship, to enable investors to be **active and responsible** shareholders. They provide a view on the activities and functions that stewards should carry out, and **how** these should relate to the boards and management of investee companies. They are not intended to be rigid rules to be enforced or prescriptive measures to be adhered to, nor are they intended to constitute a code. They are stated as **broad principles**, with suggested ways that these principles could be applied. Articulating and sharing stewardship activities, and the level of commitment to these Stewardship Principles, are matters that are left to each individual investor to adopt, on a **wholly voluntary basis**.

What?

The SSP comprises seven broad principles:

1. Take a stand on stewardship.

Responsible investors establish and articulate their policies on their stewardship responsibilities.

2. Know your investment.

Responsible investors communicate regularly and effectively with their investee companies.

3. Stay active and informed.

Responsible investors actively monitor their investee companies.

4. Uphold transparency in managing conflicts of interest.

Responsible investors make known their approach to managing conflicts of interest.

5. Vote responsibly.

Responsible investors establish clear policies on voting and exercise their voting rights in a responsible fashion.

6. Set a good example.

Responsible investors document and provide relevant updates on their stewardship activities.

7. Work together.

Responsible investors are willing to engage responsibly with one another where appropriate.





Principle 1: Take a stand on stewardship

Responsible investors **establish and articulate** their policies on their stewardship responsibilities.

GUIDANCE

- Investors should **clearly articulate** their policies concerning their **responsibilities** as shareholders. Where applicable, these policies could be **stated plainly** on the investor's corporate website.
- The stewardship policies should **explain** the **methods** by which investors will ensure that investment activities (including outsourced activities) are performed in line with their chosen approach to stewardship.
- The policies should explain the **rationale** for their approach to stewardship; how it enhances and protects value for their clients and ultimate beneficiaries; and how it may be applied to various aspects of the investment process.
- Investors should take steps to satisfy themselves



Principle 2: Know your investment

Responsible investors **communicate regularly and effectively** with their investee companies.

GUIDANCE

- Investors should have **meaningful and effective communications** with investee companies. These communications should ensure **mutual understanding** and **achievement of objectives**, so as to meet the aims of **long-term value creation, capital efficiency, and sustainable growth**.
- As part of these communications, investors could satisfy themselves that the investee company's board and board committee structures are effective, and that independent directors provide adequate oversight.
- Investors may engage with their investee companies on a full spectrum of topics, including strategy, long-term performance, risk, financials, culture and remuneration, social and environmental considerations, and corporate governance.
- Investors should have a policy for managing **disclosures of material information** that could lead to a breach of listing rules or other relevant legislation. The policy should indicate whether in exceptional circumstances they are willing to be made insiders, and the mechanism by which this could be done.



Principle 3: Stay active and informed

Responsible investors **actively monitor** their investee companies.

GUIDANCE

- Investors should have **monitoring activities** in place so that issues may be identified and addressed early to avoid any consequential loss in investment value.
- The monitoring process should cover both **financial and non-financial factors** as appropriate to the investee company. Should investors have concerns about the investee companies on these factors, particularly with regard to non-financial disclosures, they should raise these concerns directly with the investee companies and seek to address them.
- Where investors observe any **deviation** from applicable corporate governance practices, including Singapore's Code of Corporate Governance, they should carefully consider the **explanations** given for the deviation, assess the reasons, and if necessary, take action as they see fit.
- Where there is need for follow-up engagement, it should preferably begin with a confidential discussion. However, if the investee company does not respond constructively, investors may consider escalating their actions. Investors should have policies in place on escalation of engagement.



Principle 4: Uphold transparency in managing conflicts of interest

Responsible investors make known their **approach** to managing **conflicts of interest**.

GUIDANCE

- Asset owners and asset managers should have **clear written policies on identifying and managing conflicts of interest**. These policies should be stated plainly on the investor's corporate website, and they should emphasise the asset owner's and asset manager's duty to act in the interests of its clients and/or beneficiaries and to be consistent with client mandates in fulfilling its fiduciary responsibilities.
- When conflicts of interest arise, asset owners and asset managers should take all reasonable steps to **prioritise their clients' and/or beneficiaries' interests over their own interest**.
- Investors should **communicate** to their service providers the need to **disclose all potential conflicts of interest** and to **explain how they are managed**.



Principle 5: Vote Responsibly

Responsible investors **establish clear policies on voting and exercise their voting rights** in a responsible fashion.

GUIDANCE

- Investors should **actively seek to participate** in the general meetings of investee companies, and exercise their voting rights responsibly and on an informed basis.
- Investors should have a **clear view** on how to vote proxies relating to the investments they manage or own. These policies should include both general policies and specific policies on voting issues, and they should ensure that proxies are voted in the best interest of their clients, beneficiaries and/or investee companies.
- Investors **should maintain records of the votes exercised**, and any deviation from their voting policies should be documented.
- Investors should have **clear policies on communicating information pertinent to voting**, such as voting policies, votes exercised, and records of votes cast.
- Investors should **maintain records of voting outcomes**.



Principle 6: Set a good example

Responsible investors **document** and **provide relevant updates** on their stewardship activities.

GUIDANCE

- Asset owners and asset managers should **proactively inform** their clients, beneficiaries and/or investee companies about their approaches to stewardship, how they carry out their stewardship responsibilities and the extent to which they adhere to their own stewardship policies or to these Principles. This information could be communicated in the form of annual or more frequent updates.
- Investors should **maintain a record** of ways in which they have carried out their stewardship responsibilities. This record could be shared on the investors' website.



Principle 7: Work together

Responsible investors are **willing to engage responsibly** with one another where appropriate.

GUIDANCE

- Investors may, on occasion, find that **collaboration with other investors**, subject to regulations on disclosure, may be the most effective manner in which to engage their investee companies.
- **Collective engagement through formal or informal groups** may be the most appropriate means of ensuring that investee companies are aware of concerns at times of significant corporate or wider economic stress, or when there are risks that threaten to destroy significant value.
- Should collective engagement become appropriate, investors should **disclose their rationale for doing so**, including the circumstances which have prompted their action.

Who?

The SSP is intended for asset owners and asset managers.

These Stewardship Principles aim, by articulating the core behaviour and actions associated For the purpose of these Principles, the term “investors” is used in a broad sense to include **institutional investors** who are **asset owners and asset managers**.

Asset owners are the providers of capital to investee companies. Asset managers act as agents on behalf of their clients. Though they are not the owners of the assets, asset managers are in effect stewards who are **entrusted** with the assets under management. Asset managers, given their mandate to manage investments, are more directly connected to investee companies. They are well-positioned to influence the long-term performance of companies through stewardship. By subscribing to these Stewardship Principles, asset managers can play an instrumental role in fostering effective stewardship between investors and investee companies.

Investors may choose to outsource to external service providers some of the activities associated with stewardship but they remain responsible for activities to be carried out in a manner consistent with their own approach to stewardship. Accordingly, **service providers** such as **proxy advisors and investment consultants** are encouraged to subscribe to these Stewardship Principles.

Effectiveness and Implementation

Ultimately, the **effectiveness** of these Stewardship Principles hinges upon their application in the **right spirit** rather than compliance merely in form.

They are not intended to be a “box-ticking” exercise.

These Stewardship Principles are intended to help **shape positive corporate behaviour** and to **benefit all stakeholders in the long term**, by encouraging investors to be **responsible and active stewards** who contribute positively to the welfare of the economy, community and society at large.

Supporting the SSP

To date, over 40 key industry players have shown their support for the SSP by agreeing to the statement below or publishing their stewardship approach on their websites.

There are no fees associated with supporting the SSP.

“We share the view that stewardship is important, and agree with the spirit and principles articulated in the Singapore Stewardship Principles (SSP) for responsible investors. We express our support for the SSP.”



Working Group

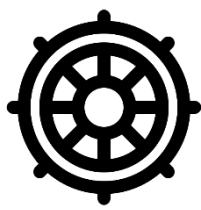
The SSP Working Group comprised:

Members

Association of Chartered Certified Accountants
Asia Pacific Real Estate Association
CFA Singapore
CPA Australia
Hermes Equity Ownership Services Ltd
Investment Management Association of Singapore
Institute of Singapore Chartered Accountants
Securities Investors Association (Singapore)
Singapore Institute of Directors
Singapore Venture Capital and Private Equity Association
Stewardship Asia Centre

Supported By

Monetary Authority of Singapore
Singapore Exchange



Steering Committee

The SSP Steering Committee comprises:



*“The application of **responsible stewardship** is important to successful investment. We believe that when investment managers and investee companies **work together to deliver greater value**, everyone will eventually benefit from the **sustainable profitability**.”*

**Michael Lim, Executive Director
Investment Management Association of Singapore**

Visit www.stewardshipasia.com.sg for more updates and articles on hot-button issues

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Singapore Stewardship Principles (SSP) for Responsible Investors

The Intent

Singapore's investment environment is thriving and transparent, generally recognized as being marked by sound governance practices amongst investors. Nevertheless, in light of certain trends that are developing in the business landscape, there is scope for the investor community to proactively reinforce the mindset and practice of stewardship.

In today's context, the investment value-chain linking ultimate asset owners to investee companies is increasingly complex. Many countries are seeing a trend towards fragmented ownership, especially in listed companies, with many shareholders each holding a small proportion of shares. Coupled with increasingly shorter shareholding tenure, the ownership mentality is arguably being eroded and replaced by a prevalent short-term view of investment and portfolio management. The emphasis on stewardship is therefore relevant and timely.

Stewardship is important for the wider business and investment ecosystem, including investors and investee companies. The Singapore Stewardship Principles (SSP) for Responsible Investors are intended to enhance this positive environment by encouraging companies to pursue the spirit of good governance and stewardship over that of form, with the ultimate objective of helping companies secure their performance over the long term.

Steering Committee

FAQs

Support for SSP

Singapore Stewardship Principles (SSP) for Responsible Investors

The Singapore Stewardship Principles (SSP) for Responsible Investors aim to enable investors to be active and responsible shareholders. They provide a view on the activities and functions that stewards should carry out, and how these should relate to the boards and management of investee companies.

The following seven Principles provide useful guidance to responsible investors towards fostering good stewardship in discharging their responsibilities and creating sustainable long-term value for all stakeholders.

- 1 Take a stand on stewardship.**
Responsible investors establish and articulate their policies on their stewardship responsibilities.
- 2 Know your investment.**
Responsible investors communicate regularly and effectively with their investee companies.
- 3 Stay active and informed.**
Responsible investors actively monitor their investee companies.
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PLEASE CLICK HERE FOR FULL DOCUMENT.
FIND OUT MORE ABOUT THE WORKING GROUP HERE.

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Initiative aims to foster good investment practices

The Singapore Stewardship Principles (SSP) initiative, led by the SSP Steering Committee, outlines the guiding principles.

View Article

Stewardship For Retail Shareholders

Mr Ong Boon Hwee, CEO of SAC, shares the importance of ownership responsibility and the need for positive engagement.

View Article

企业管理专家:尽责治理水平帮投资者了解公司发展潜能

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Let's discuss

